



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

DIVISION OF OIL & GAS

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June 4, 2020

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

David Pascal
Vice President, Operations
Cook Inlet Energy, LLC
c/o Glacier Oil & Gas, Corp.
188 W. Northern Lights Blvd., Suite 510
Anchorage, AK 99503

Re: West McArthur River Unit and Sword PA SOP – Approved

Dear Mr. Pascal:

On May 29, 2020, the Department of Natural Resources, Division of Oil and Gas (Division), received an application for Suspension of Operations and Production (SOP) for the West McArthur River Unit and Sword PA (WMRU) from Cook Inlet Energy, LLC, a Glacier Oil & Gas company (CIE-Glacier). This letter approves the SOP, subject to conditions described below.

Unit History

The WMRU was formed on July 27, 1990 and as of April 2020, cumulative production was approximately 15,645,960 barrels of oil and 3,973,647 million cubic feet of gas. CIE-Glacier is currently operating the WMRU pursuant to the 29th Plan of Development (POD), approved by the Division on April 7, 2020 and governing WMRU operations May 1, 2020 – April 30, 2021 (29th POD Period).

SOP Application

In its SOP application, CIE-Glacier requested to suspend operations and shut-in production starting May 17, 2020 through the remainder of the 29th POD Period due to the present global condition of low crude oil prices combined with the lack of demand. During this time, CIE-Glacier commits to keeping the WMRU facilities appropriately staffed and under continuous monitoring in order to comply with all state and federal regulations. All oil producing wells will be shut-in, and all pipelines and flowlines will be purged, cleaned, and protected from freeze and corrosion. All vessels and tanks used in processing will be emptied and protected as applicable. The Division recognizes that the SOP will impact the POD and CIE-Glacier's ability to achieve the plans set out therein.

Finding and Decision

When considering any Unit plans, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties including the state, environmental costs and benefits, geological and engineering characteristics of reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and

benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).

Article 8 and Article 12.3 of the WMRU Agreement, dated April 19, 1990, allow for a Commissioner-approved SOP.

The public has an interest in the economic development of both private and State resources. However, due to the current global and local market conditions, oil and gas would be produced from the WMRU at marginal or loss-generating terms, and at significantly reduced royalty value for both the State and private mineral owners. The plans set forth in the SOP application protect the public interest and CIE-Glacier by conserving the hydrocarbons until more favorable market conditions persist. Additionally, CIE-Glacier has outlined plans in the SOP application that protect the environment from risks associated with physical plant shut down.

The Division therefore finds that granting the SOP will promote the prevention of economic and physical waste, the conservation of natural resources, and provide for the protection of all parties of interest, including the State. The decision therefore is necessary and advisable to protect the public interest.

In approving Glacier's request, the Division, in turn, requests Glacier to provide quarterly updates during the 29th POD Period with the first quarterly update covering the period of June 1 through August 31, 2020 being due no later than September 8, 2020. Should Glacier require continued SOP past the 29th POD Period, Glacier shall file a written request to the Division no later than 45 days from the expiration of the 29th POD Period.

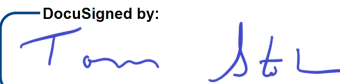
Further, the Division requires: (a) immediate written notice from Glacier no later than 30 days prior to the time Glacier intends to resume operations and production at the WMRU; and (b) submission to the Division of a new POD no later than 60 after resumption of operations and production at WMRU. Each of these preceding actions further requires concurrence of the Director before any action by Glacier may be taken.

The SOP application for the WMRU is hereby conditionally approved, effective May 17, 2020.

This approval is only for the SOP for WMRU. Any additional field operations not included in the referenced SOP shall require separate approval under 11 AAC 83.346, Unit Plan of Operations.

If you have questions regarding this decision, contact Ryan King with the Division at 907-269-8799 or via email at ryan.king@alaska.gov.

Sincerely,

DocuSigned by:

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Tom Stokes
Director

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to dnr.appeals@alaska.gov. This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.